Econ homework I chapter 10- Pure Monopoly

1. What are the major characteristics of pure monopoly?

2. Why is marginal revenue less than price for every level of output except the first?

3. A pure monopolist determines that at the current level of output the marginal cost of production is $2.00, average variable costs are $2.75, and average total costs are $2.95. The marginal revenue is $2.75. What would you recommend that the monopolist do to maximize profits?

4. Do you agree or disagree with the statement that: “A monopolist always charges the highest possible price.” Explain.

5. How does monopoly compare with pure competition in terms of price, output, and efficiency?